



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

October 5, 2009

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Second District

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Third District

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Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

REPORT ON THE STATUS OF SB 67 (BUDGET AND FISCAL REVIEW COMMITTEE) RELATED TO PROPOSITION 1A, THE PROTECTION OF LOCAL GOVERNMENT REVENUES ACT, SECURITIZATION (ITEM S-1, AGENDA OF OCTOBER 6, 2009)

Item S-1 on the Agenda is a set item to provide a report on the status of SB 67 (Budget and Fiscal Review Committee) legislation that would provide for the earlier securitization of Proposition 1A loans, ensuring that local governments receive this critical funding in a timely manner.

The final 2009-10 State Budget suspends Proposition 1A (2004) and requires local governments to loan \$1.9 billion to the State with the promise of repayment in three years. The final Budget did not include language authorizing local governments to securitize the Proposition 1A loan amounts in a manner that would adequately address the cash flow issues related to the borrowing. **The impact to the County and its dependent special districts is approximately \$365 million.**

SB 67, as amended on September 4, 2009, is a clean-up measure which would ensure the ability of counties, cities, and special districts to securitize the property tax revenues borrowed by the State. It would provide for the earlier securitization of Proposition 1A loans to ensure that local governments receive this critical funding at the same time as they would normally receive their property tax revenue distributions. Enactment of SB 67 would allow the County to securitize an estimated \$365 million to help avoid further program reductions and to be able to maintain critical safety net services for the residents of the County.

"To Enrich Lives Through Effective And Caring Service"

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The Assembly passed SB 67 on September 11, 2009, but the Senate adjourned without approving it because of the inability to obtain the necessary two-thirds vote. Los Angeles County, California State Association of Counties (CSAC), the League of California Cities, the California Special Districts Association, and local governments statewide have sent communications to Senate leaders indicating that the Proposition 1A securitization can move forward only if SB 67 is approved by the Senate by October 15, 2009. In addition, these local government associations have requested the support of Governor Schwarzenegger and State Treasurer Lockyer for the passage of SB 67. CSAC and others have received a verbal commitment from Senate President pro Tempore Darrell Steinberg that the Senate will reconvene the week of October 12, 2009, to take up this bill and other clean-up legislation. SB 67 is currently on the Senate Floor and needs 27 votes to proceed to the Governor.

The Senate must pass SB 67 by October 15, 2009 to avoid the delay in payments to local agencies. If SB 67 does not pass, cash proceeds from a securitization would not be available until sometime in March 2010. The first transfer of the 8 percent property tax borrowing is due to the State by no later than January 15, 2010, (impacting the County's December 2009 property tax distribution), which will create a cash flow issue if the securitization proceeds are not received until March 2010.

County officials continue to contact their senators and ask that the Senate reconvene immediately to consider these necessary, non-controversial, consensus measures. We will continue to monitor and advocate for passage of SB 67 and will keep your Board apprised of the status of this measure.

WTF:RA
IGEA:er

c: Executive Officer, Board of Supervisors
 Acting County Counsel
 Auditor-Controller
 Treasurer and Tax Collector